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ABSTRACT

During the past decade, countries in Asia, Latin America, and Central Europe have been experiencing a number of converging factors that drive economic growth, propelling them toward greater economic competitiveness with the economies of the United States (U.S.), Japan, and Western Europe. A major driving force behind this global economic growth is improved access to education. A better-educated population creates a workforce that is more knowledgeable, skilled, and efficient and that understands and can use technology to increase productivity. Emerging-market economies are gaining ground on the United States far faster than most people are aware; a much more competitive global economy is emerging. Of paramount importance to future U.S. economic growth is the rejuvenation of the U.S. education system, which will ensure a world-class workforce that is able to perform effectively in an increasingly competitive world, along with the development of short-program credentials to get workers the necessary skills training faster. A number of elements have been identified as key to boosting U.S. student achievement, including: rigorous standards; student assessments; accountability; rewards; investment in schools; and better training in science and mathematics for all students. The key to continuing prosperity in the United States is the intellectual capacity of students and workers, and the U.S. must accelerate the pace of change in schools and other learning forums to enable the U.S. economy and U.S. companies to thrive in the future. (KC)

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Competing in an International Era

Preparing the Workforce for the Global Economy

During the past decade, countries in Asia, Latin America and Central Europe have been experiencing a number of converging factors that drive economic growth. This growth is propelling them toward greater economic competitiveness with the more established economies of the United States, Japan and Western Europe.

This convergence has generated optimism in the United States over the potential economic benefits these emerging markets present to U.S. exporters. It also has forced the United States to examine its ability to anticipate the challenges of increased competition by ensuring that schools and colleges prepare students to excel in a global economy. The result will benefit the United States by generating a better overall education system, thereby making the U.S. labor force more competitive.

Political stability and support, higher educational attainment and literacy rates, increased urbanization, labor growth, wage escalation, and productivity gains triggered by the relocation of low-cost manufacturing are transforming previously struggling, subsistence-level agricultural societies into emerging industrial powers. Education systems are improving, providing workforces with new skills, and the proliferation of technology has modernized previously underdeveloped regions of the globe. Larger and larger portions of populations are moving toward urban areas, drawn by better wages and higher standards of living.

As a result, nations such as China, Indonesia, Malaysia, Argentina, Chile, Hungary and Poland are fast becoming globally competitive — and in the very near future will challenge the economic dominance of the United States and other developed nations.

Education Spurs Productivity, Innovation

A major driving force behind this global economic growth is improved access to education. More people in developing nations living in and around urban areas means increased access to schools and educational facilities, expanded attendance at educational institutions, and improved literacy rates. Since 1980, literacy rates in many developing countries, particularly in Asia, have climbed closer to that of the United States (Figure 1). Additionally, enrollments in secondary and postsecondary institutions in these emerging economies rose several hundred percent over the same period, while in the United States, such increases have been much more modest (Figures 2 and 3).

This rise in educational attainment has real implications for economic growth. A better-educated population creates a workforce that is more knowledgeable, skilled and efficient, and that understands and can use technology to increase productivity. This improves companies' abilities to compete for market share in the global economy. It also positions these companies and countries for continued and sustained growth as educational access and attainment expand. Additionally, educated and skilled workers are more likely than less-educated and unskilled workers to continue their education at some level throughout their working careers to maintain and upgrade skills.

The benefit this skill development provides to an economy is tangible and can be tracked through growth in gross national product (GNP) per capita, or the national output per person. Countries like China, Malaysia and Chile already have seen such productivity

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increases that coincide with growth in literacy and increased access to education.

And beyond simply raising productivity, increased educational attainment helps pave the way for economic expansion by fostering innovation, more efficient production, and further economic development and diversity. With an educated, skilled workforce, companies can expand production into more advanced and lucrative areas, such as financial services and telecommunications — areas, in fact, that have long distinguished the economies of the United States and other economically advanced nations. In light of this, industries in developing countries have begun to emerge as major sources of growth and innovation.

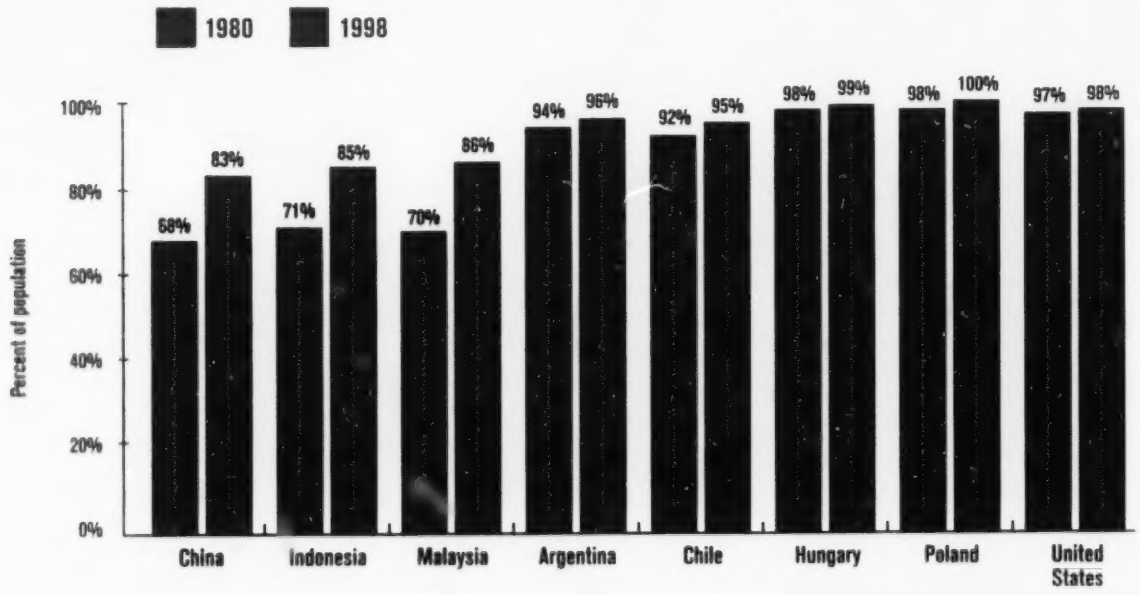
Emerging-market economies are gaining ground on the United States far faster than most people are aware.

More Competition — and Opportunity — in the Global Economy

Emerging-market economies are gaining ground on the United States far faster than most people are aware. While the United States enjoyed record-setting economic prosperity over the past decade or so, with a respectable 2.5 percent annual growth in gross domestic product (GDP) since 1988, emerging-market economies like China, Malaysia and Chile experienced growth at three to four times that rate (Figure 4).

This growth is not a short-term phenomenon, but rather an indication that a much more competitive global economy is emerging. As educational attainment

Figure 1: Literacy Rates of Population Ages 15 and Over, 1980–98, Selected Countries

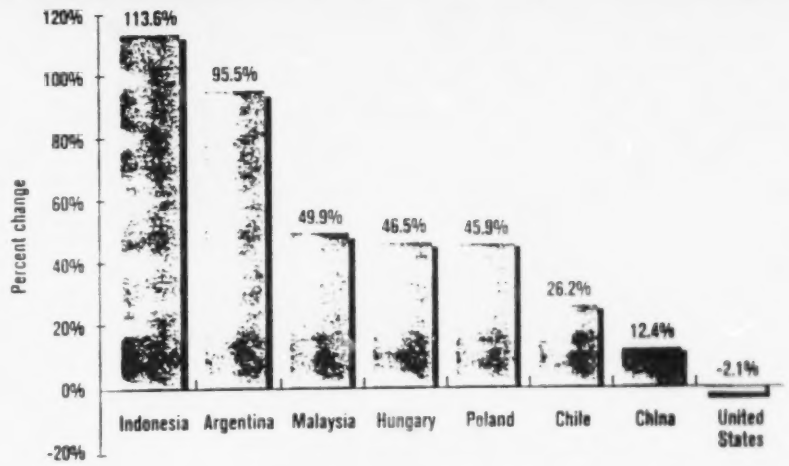


Source: UNESCO

improves around the world, companies in countries like China, Chile and Malaysia will create competitive pressure on firms in the United States and elsewhere. Without an equal improvement in educational attainment in the United States, market share is likely to shift to those countries better able to deliver skilled workers, who in turn will help companies become more innovative and competitive.

Because of the improvement in educational attainment and access, fast-expanding countries like these should experience strong economic growth for some time to come. And if they are able to maintain their recent expansion rates, they could rival the United States in per capita GDP within the next half-century (Figure 5). The question is no longer *if* a developing country's economy will become globally competitive, but *when*.

Figure 2: Total Growth in Secondary School Enrollment, 1980–95, Selected Countries



Source: The World Bank, *World Development Indicators 1999*

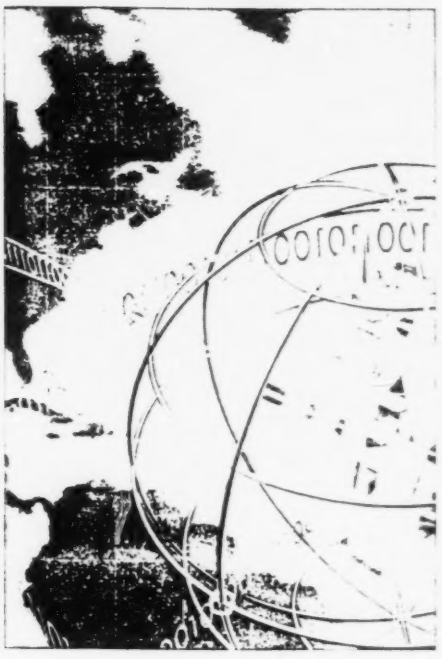
While greater production and expanding economies in developing nations pose a competitive threat to developed economies, they also mean greater opportunities for global competitors. As a result of global economic growth, international companies will have larger and richer markets to service. The combined size of the markets of many of these emerging nations dwarfs the size of developed-world markets, even if only a fraction of their total population is capable of participating in those markets. Future economic growth will depend less on access to U.S. and European markets and more on access to markets in Asia, Eastern Europe and Latin America. Gaining a foothold in such expanded markets will be the key to increasing revenue and securing a competitive edge in the years to come — for those who seize the opportunity.

To penetrate these new markets, though, U.S.-based companies must remain highly efficient and flexible or lose out to more aggressive and innovative competitors. As recent history has demonstrated, foreign competitors can have a dramatic effect on the present and future market share of U.S. companies. Such foreign competition contributed to U.S. steel, auto and manufacturing companies' struggle in the 1980s; the seemingly invincible U.S. technology sector could encounter similar challenges in the not-too-distant future.

Developed countries in general, and the United States in particular, will continue to face this kind of increased competition, which will have direct and long-lasting effects on the U.S. economy, workforce and education system. Attempts to protect U.S. companies and workers with regulatory intervention will only serve to isolate the U.S. market and businesses from an ever-expanding global economy. Addressing the components of growth, starting with the expansion of a skilled and efficient workforce, will enable the United States to maintain its competitive edge and allow companies to pursue hotly contested markets.

Preparing the Workforce for a New Economy

Of paramount importance to future U.S. economic growth is the rejuvenation of the U.S. education system, which will ensure a world-class workforce that is able to perform effectively in an increasingly competitive world, along with the



development of short-program credentials to get workers the necessary skills training faster.

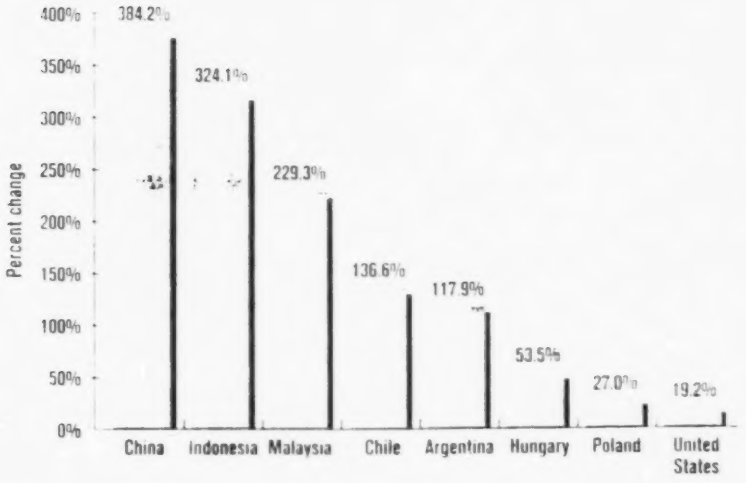
Already, for example, skills certificates — often earned outside of traditional academic institutions — are becoming a new passport into a job market requiring greater technological and knowledge-based competencies. These certificate programs allow people to learn marketable skills quickly and efficiently, spin off into the profitable labor market, and then cycle back again and again into a training system that continually upgrades skills to meet employer needs and technological innovations. (For details, see the March 2000 issue of *WorkAmerica.*) The result will benefit U.S. corporations as well as U.S. consumers. A more competitive and efficient workforce will provide better quality and more cost-effective products.

How, then, does the United States respond to maintain its competitive edge? Certainly the United States needs to be engaged in the growth of the global economy to ensure that its economic interests are protected. By maintaining an active role in international trade organizations and regional trade blocs, the United States can better protect its own interests while still providing leadership in opening new markets and establishing reasonable trade practices. At the same time, seeking favorable agreements with individual trading partners will help secure U.S. access to foreign markets and protect U.S. markets from unfair trade practices by negotiating enforceable provisions such as reduced tariffs.

But beyond directly shaping the global trade climate, the United States also must prepare internally for an intensified marketplace by addressing the issue of educational reform and rejuvenation. Recent studies indicate that students in the United States lag behind those in many other countries in math and science skills. At the same time, employers voice their concerns that soon there will be a severe shortage of skilled employees. According to projections by Richard Judy of the Hudson Institute, early in the 21st century 60 percent of jobs will require skill levels that have been attained by only 20 percent of the present workforce. Revitalizing the U.S. education system will be crucial to staying ahead of the quickening pace of global competition.

A number of elements have been identified as key to boosting U.S. student achievement, including rigorous standards at the ele-

Figure 3: Total Growth in Postsecondary Enrollment, 1980–95, Selected Countries



Source: The World Bank, *World Development Indicators 1999*

mentary and secondary levels; assessments to gauge students' performance; accountability for teachers and school administrators to ensure that students reach appropriate levels of academic achievement; rewards for teachers, administrators and students for attaining levels of achievement; more strategic investment in schools to assure top quality facilities and teachers; greater emphasis on high school grades and curricula in the hiring process; and more and better training in science and math for students at all levels. Systematically implementing these reforms and regularly reviewing and updating curricula to meet the changing needs of the U.S. workplace would ensure that students acquire the necessary skills to succeed in the workforce. This also would provide high school graduates with more educational options, better access to higher-paying jobs and the groundwork for continued lifelong learning.

How, then, does the United States respond to maintain its competitive edge?

Profiles of Chile and China: Up-and-Coming U.S. Competitors

To state simply that developing countries are closing the economic gap with the United States does not fully capture the implications of such a trend. The reality becomes clearer when actual accomplishments and benchmarks illustrate the strength and momentum of this growth, as the data here show.

China and Chile have been among the strongest economic performers in the developing world over the last decade. Their past and projected future successes serve as examples of the kind of growth that previously underdeveloped regions of the world are exhibiting.

	China	Chile	United States
Demographic data			
Percent of population below age 25	42%	45%	35%
Urban population as percent of total (1970)	17%	75%	74%
Urban population as percent of total (1997)	33%	84%	77%
Education			
Secondary school growth rate (1980–95)	12.4%	26.2%	-2.1%
Postsecondary school growth rate (1980–95)	384.2%	136.6%	19.2%
Literacy rate (1982)	68%	92%	97%
Literacy rate (1998)	83%	95%	98%
Projected literacy rate (2010)	98%	98%	99%
Workforce and the economy			
Projected wage growth to 2010	8.3%	8.7%	1.8%
Year of hourly wage parity with the U.S.	2047	2034	N/A
GNP per capita growth (1988–98)	8.8%	6.5%	1.4%
Year of GNP per capita parity with the U.S.	2050	2035	N/A

Sources: The World Bank, *World Development Indicators 1999*; U.S. Census Bureau; U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 1999*; and the National Alliance of Business

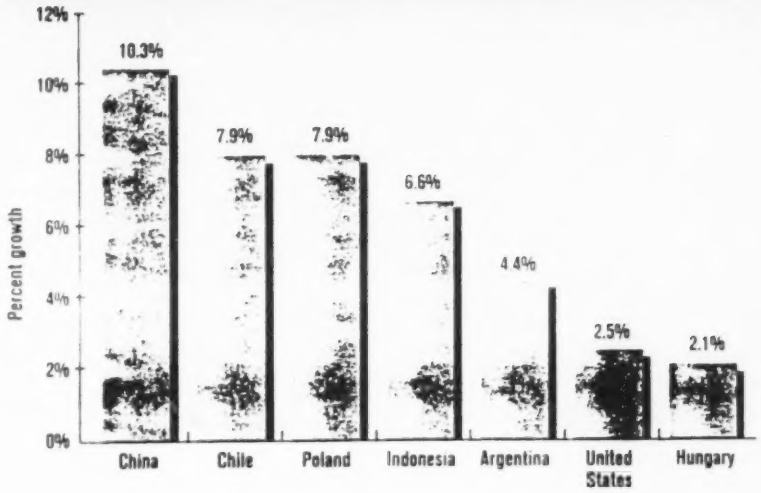
N/A = not applicable

Intellectual Capacity Will Keep U.S. Prosperous

The presence of stiff economic competition from developing countries is a reality, both now and for the future. The booming U.S. economy and stock markets mask the serious threat that this reality represents. In good times, when "dot com" companies produce new millionaires almost daily and U.S. workers are in high demand, the undercurrents of economic change hardly seem to matter. Nevertheless, we ignore them at our peril.

At the same time, a global economy provides enormous opportunities for U.S. firms to prosper in new and expanding markets, and for U.S. consumers who will reap the rewards of a more efficient workforce through better quality products. The key to this prosperity, though, is the intellectual capacity of students and workers. Economic gains and technology will fuel the need for greater skills and a more efficient educational delivery system. To that end, the nation must accelerate the pace of change in schools and other learning forums to enable the U.S. economy and U.S. companies to thrive for decades to come.

Figure 4: Average Annual Growth in Gross Domestic Product, 1988–98, Selected Countries



Sources: The World Bank, *World Development Indicators 1999*, and U.S. Census Bureau

In good times, when 'dot com' companies produce new millionaires almost daily and U.S. workers are in high demand, the undercurrents of economic change hardly seem to matter. Nevertheless, we ignore them at our peril.

Figure 5: Estimated Year of GDP Per Capita Parity With the United States, Selected Countries

Country	Year
Poland	2028
Chile	2036
China	2049
Indonesia	2059
Argentina	2113

Sources: The World Bank, *World Development Indicators 1999*, and the National Alliance of Business